

WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

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Public Utility Tax Credit

As part of the legislative efforts to stimulate economic activity in rural areas of the state, Engrossed Substitute House Bill (ESHB) 2260, Chapter 311, Laws of 1999, provides for a public utility tax credit of up to \$25,000 per calendar year for amounts contributed to an electric utility rural economic development revolving fund.

In order to qualify for the tax credit, the light and power business must have one mile of distribution line with fewer than 26 active meters and make a contribution to an electric utility rural economic development revolving fund. The fund must be established by the light and power business, and administered by a local board comprised of at least three members representing local businesses and community groups. The members of the local board are appointed by the light and power business to oversee and direct the activities of the revolving fund. The fund must be devoted exclusively to funding qualifying projects in the qualifying rural area. A qualifying project is defined in the law as follows:

... a project designed to achieve job creation or business retention, to add or upgrade nonelectrical infrastructure, to add or upgrade health and safety facilities, to accomplish energy and water use efficiency improvements, including renewable energy development, or to add or upgrade emergency services in any designated qualifying rural area.

A qualifying rural area is defined in the law as follows:

- ◆ A rural county, which is a county with a population density of 100 persons or less per square mile as determined by the Office of Financial Management, or;
- ◆ Any geographic area in the state that receives electricity from a light and power business with 12,000 or fewer customers and with fewer than 26 meters per mile of distribution line.

The Department of Revenue will publish an annual list of qualifying rural areas in July of each year the tax credit is allowable. The Department will base the list on data supplied by the Office of Financial Management and the electricity industry. Qualifying rural areas are listed at the end of this notice. It should be noted that public utility tax credits allowed under this program are allowable only for amounts contributed after August 1, 1999.

The tax credit is based on the contributions made by the light and power business to the fund. The credit is computed at 50 percent of the contribution made to the fund. Each light and power business is limited to a

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maximum credit of \$25,000 per calendar year. (Credits are taken on the January through December Combined Excise Tax Return). In addition, the overall credit available under the program is limited to a statewide maximum of \$350,000 per fiscal year (July through June). The statewide maximum of \$350,000 is based on the amount of credits taxpayers indicate they will take on the credit form. Tax credit is authorized on a first come, first served basis. Once the statewide maximum has been met for a fiscal year, no further credits will be approved for the fiscal year. Taxpayers will receive an approval or denial letter from the Department of Revenue, based on the status of the statewide maximum. Tax credits earned but not taken can be carried over to the following fiscal year. The amount of credit allowed to a light and power business cannot exceed the public utility tax due from the business.

Eligibility for the tax credit is determined on an annual (fiscal year) basis. The light and power business is required to submit a Credit Form to the Department of Revenue containing the following information:

- ◆ Name, address, and Unified Business Identifier (UBI) number;
- ◆ Amount of the contribution;
- ◆ Amount of the credit (50% of the contribution);
- ◆ Date of contribution;
- ◆ Name and address of the fund; and
- ◆ Amount of the credit to be taken in the current fiscal year.

Credit Forms will not be accepted prior to August 1, 1999. The Credit Form will cover the fiscal year ending June 30, 2000. In following years, Credit Forms will be accepted beginning May 1 for the fiscal year beginning on July 1. The right to earn tax credits under this program expires on December 31, 2005. A Credit Form is provided with this special notice. Credit Forms can also be obtained from the Telephone Information Center by calling 1-800-647-7706.

The tax credit is available for contributions to a fund set up in either a qualifying county or in a geographic area. The qualifying counties and geographic areas are as follows:

Rural Counties:

| | | | | |
|----------|--------------|-----------|--------------|---------|
| Adams | Douglas | Kittitas | Pend Oreille | Whatcom |
| Asotin | Ferry | Klickitat | San Juan | Whitman |
| Benton | Franklin | Lewis | Skagit | Yakima |
| Chelan | Garfield | Lincoln | Skamania | |
| Clallam | Grant | Mason | Stevens | |
| Columbia | Grays Harbor | Okanogan | Wahkiakum | |
| Cowlitz | Jefferson | Pacific | Walla Walla | |

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Geographic areas that receive electricity from any of the following light and power businesses:

| | |
|---|-------------------------------|
| Alder Mutual Light Company | Port of Tacoma |
| Benton Rural Electric Association | PUD # 1 of Asotin County |
| Big Bend Electric Cooperative, Inc. | PUD #1 of Ferry County |
| City of Sumas | PUD #1 of Kittitas County |
| Clearwater Power Company | PUD #1 of Klickitat County |
| Columbia Rural Electric Association, Inc. | PUD #1 of Mason County |
| Kootanai Electric Cooperative Inc. | PUD #1 of Pend Oreille County |
| Lakeview Light & Power Co., Inc. | PUD #1 of Wahkiakum County |
| Nesplelem Valley Electric Cooperative | PUD #1 of Whatcom County |
| Northern Light Electric | Town of Coulee Dam |
| Ohop Mutual Light Company | Town of Ruston |
| Okanogan County Electric Cooperative | Weyerhaeuser Company |
| Orcas Power & Light Co. | |

For additional information and Credit Forms, please call the Telephone Information Center at 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.